The Real Estate TRENDS

MARCH 29
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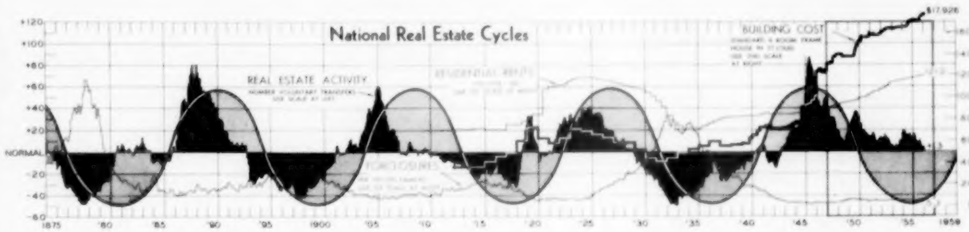
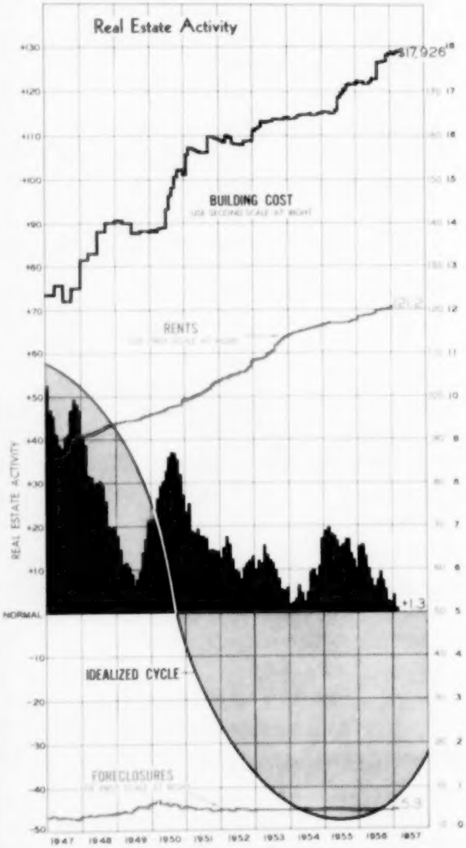
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS





REAL ESTATE ACTIVITY

Our index of real estate activity dropped to 1.3% above our long-term computed normal. This is the lowest level reached by real estate activity since 1943. The failure of Congress to raise the veterans' interest rate, combined with the tight money situation generally, will result in real estate activity in 1957 being at a considerably lower level than we had in 1956.

This drop in real estate activity, due to an economic situation which is prevalent in all parts of the United States, is typical of practically all cities, with only a very few exceptions.

MORTGAGE ACTIVITY

Our index of mortgage activity has also dropped, and is now at the lowest level since 1945. This index is based on the number of mortgages, rather than on the dollar amount. The comparison with the past would be far

more favorable if it were based on a dollar amount because of both the increased cost of building and the fact that a number of large mortgages on commercial and industrial buildings would be included. Using the number only in our index avoids the inflationary bias over the long period.

MORTGAGE INTEREST RATES — The table below, showing the average interest rate of recorded mortgages in 12 major cities of the United States, indicates that February 1957 is considerably higher than preceding months, and roughly one-third of 1% higher than February a year ago. It should be remembered that this table lags the market, as mortgages are not recorded at the time that commitments are made. It should also be kept in mind that during 1956, particularly, many FHA's and VA's were sold at heavy discounts, and these discounts are not in the figures. Because of the increase in the FHA rate, discounts have lessened, and we believe that the average rate as shown on this table will increase fairly rapidly during the next few months.

AVERAGE INTEREST RATE OF RECORDED MORTGAGES
IN 12 MAJOR CITIES OF THE UNITED STATES

Jan.	'54	5.187%	July	'55	5.050%	May	'56	5.158%
Apr.	'54	5.173	Aug.	'55	5.049	June	'56	5.155
July	'54	5.089	Sept.	'55	5.043	July	'56	5.141
Oct.	'54	5.092	Oct.	'55	5.055	Aug.	'56	5.190
Jan.	'55	5.045	Nov.	'55	5.051	Sept.	'56	5.183
Feb.	'55	5.070	Dec.	'55	5.066	Oct.	'56	5.229
Mar.	'55	5.087	Jan.	'56	5.105	Nov.	'56	5.221
Apr.	'55	5.079	Feb.	'56	5.177	Dec.	'56	5.273
May	'55	5.044	Mar.	'56	5.212	Jan.	'57	5.363
June	'55	5.052	Apr.	'56	5.157	Feb.	'57	5.478

"Tight money" is probably with us for at least all of 1957, and interest rates we believe for many years will be on a new plateau. These levels will seem high to those who have entered the real estate and mortgage business since the Big Depression, but those with a longer background of mortgage experience or those who have studied charted rates over a much longer period will realize that a 6% rate on residences has been more common in the past than rates very much below this level.

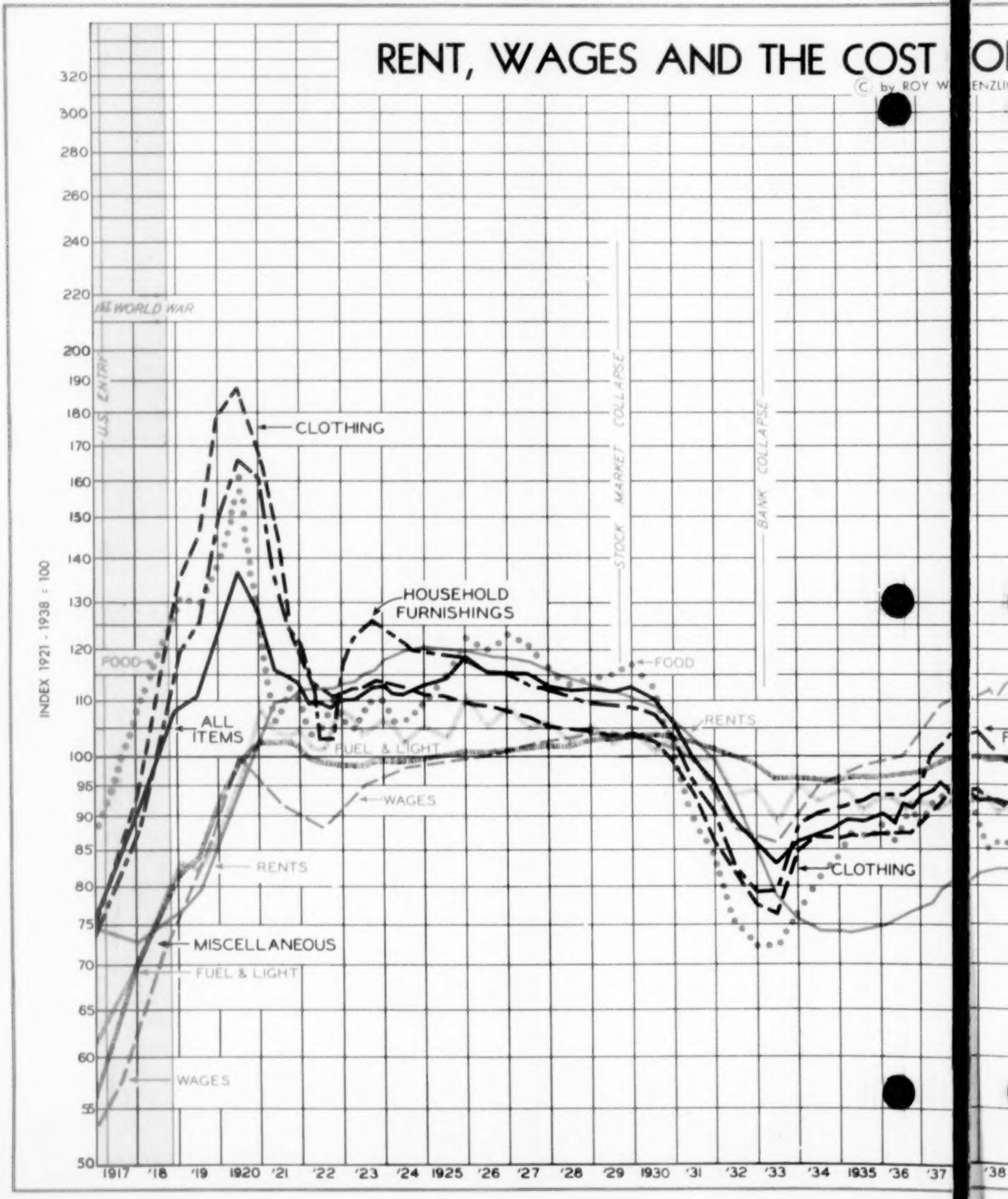
HOME BUILDING — Home building dropped again, as shown on the chart on the opposite page, which brings it to the lowest point since the beginning of the series of figures charted. During February 1957, private housing starts were at an annual adjusted rate of 910,000, with a rather great probability that the March starts will show a further drop.

At the beginning of the year the most prevalent forecasts for 1957 were in excess of 1 million. Our report of January 1, 1957, estimated something over 900,000. At the time we were accused of being ultrapessimistic. TIME Magazine has made a survey of informed persons in the mortgage and home building field, and in a recent issue stated that estimates for 1957 are now running from 750,000 to 900,000 dwelling units for the year. Our so-called pessimism of January 1 has apparently changed to an ultraoptimistic forecast, from the standpoint of most other people in the field.

Insofar as the chart below goes, however, we would not be surprised if at some time during the year the monthly rate of building dropped below 800,000 units, but as Aristotle observed, "One swallow does not make spring." We think it probable that other better months will offset some rather poor ones, resulting in a more favorable figure at the end of the year.

It is still too soon, however, to make any adjustments, either up or down, in our January forecast. It still seems reasonable to us that when the year is finished we will find that we have built something in excess of 900,000 units. These figures will be carefully scrutinized each month, however, together with the various factors which cause building to rise and fall, and any necessary adjustments in our forecasts will be made from time to time.

(cont. on page 120)


RENT, WAGES AND THE COST O
© by ROY W. WENZLICK
INDEX 1921 - 1938 : 100
1ST WORLD WAR
U.S. ENTRY
STOCK MARKET COLLAPSE
BANK COLLAPSE
CLOTHING
HOUSEHOLD FURNISHINGS
FOOD
ALL ITEMS
RENTS
FUEL & LIGHT
WAGES
MISCELLANEOUS
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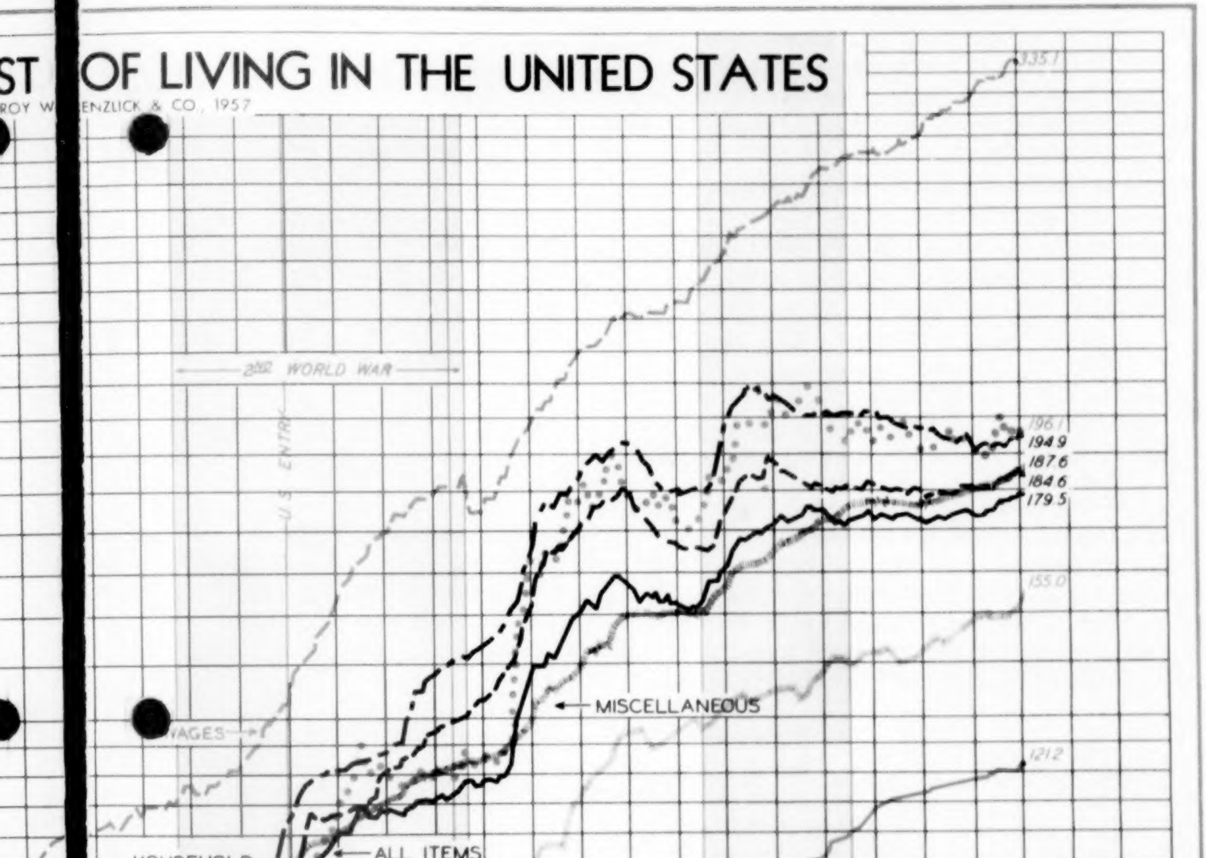
ST OF LIVING IN THE UNITED STATES
ROY W. ENZLICK & CO., 1957
2ND WORLD WAR
U. S. ENTRY
WAGES
HOUSEHOLD FURNISHINGS
ALL ITEMS
MISCELLANEOUS
FUEL & LIGHT
FOOD
RENTS
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KOREAN WAR
KOREAN TRUCE
V.E. DAY
V.J. DAY
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1959

(cont. from page 117)

If we reduce the number of new dwelling units built during the 12 months ending in February 1957 to the number built per 1,000 families, the rate would be 25.12. This is the lowest rate since the 12 months ending in July 1949, when the corresponding figure was 25.03. For comparative purposes we have listed below rates for selected past periods.

12 months ending:	Rate
December 1909	42.19
December 1918	6.98
December 1925	46.62
December 1933	3.94

The high point in the current building boom was the 12 months ending with January 1951, with a rate of 36.74 new dwelling units per 1,000 families.

The tremendous variation between the building rate at the top of a building boom and the rate at the bottom of a recession period is one reason why it is difficult to develop continuity in a house building organization. We have many large companies in the United States building commercial and industrial buildings that have been in business for 50 years or more, but we have relatively few home building organizations that have been able to accumulate a continuous experience with resulting "know how" over any long period of time.

BUILDING COSTS

There are a number of divergent factors operating in the building field today insofar as building costs go. Materials are more plentiful than they have been, and some are now available at a slightly lower cost. Another factor affecting costs is the drop in building volume, which means that the less skilled workmen have been laid off, increasing the average efficiency. Contractors, because of the lower volume, are now willing to take jobs at a slightly lower profit, again preventing much of a rise in costs. On the other hand, however, wage scales are still going up, with a number of new demands being made this spring. Our cost figures on five of our standard buildings for March 1957 show a very slight rise over the February figures, but a rise so small it is practically negligible. If the more pessimistic forecasts on building volume this year should prove right, we think it highly probable that overall building costs might show a slight decline, but we still think that the probability is that building costs will not vary greatly this year. Any variation, however, is more apt to be up than down.

RENTS

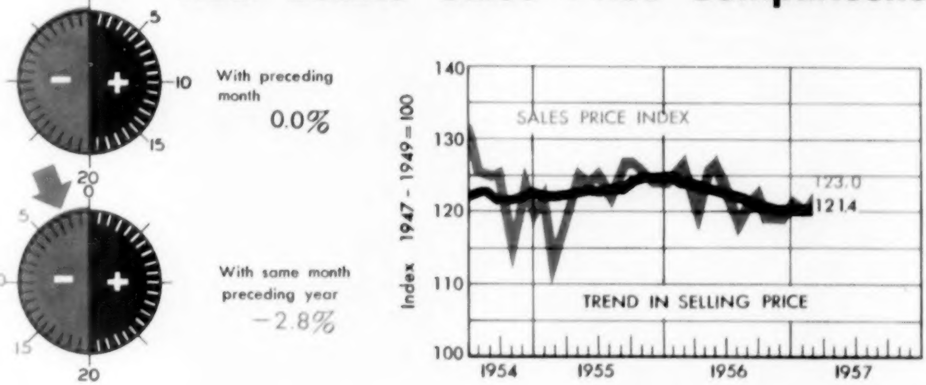
The center spread in this report shows the fluctuations of rents, wages, and elements of the cost of living in the United States from 1917 to the present. Even a cursory glance at this chart shows two things: first, that wages have outstripped the cost of living due to the increased output per hour; and second, that the two elements of the cost of living which have gotten the greatest criticism from Government and from radical elements of our population have

had the smallest percentage of increase. Rents are only 21.2% above the 1921-38 average, and fuel and light are only 55% above that average. All items of the cost of living are 79.5% above, with food 96.1% above. The higher cost of food is partially caused by the Government policy of price supports for agricultural products.

Public power proponents will not use this chart, as it certainly shows that the production of light, power, and fuel has been more efficient than most other elements in the cost of living. Apparently the "rent gouger" and real estate owner has not "gouged" enough to get his share. The rental cost of housing is cheaper today in relationship to other elements of the cost of living than any other item in the budget, and this has been the case in every month since 1939.

REAL ESTATE SALES PRICES The selling price of existing residential buildings has shown no variation during the last 4 months. However, the existing level of residential sales is lower than it has been since March 1954. The drop, however, has not been great, and the reduction in the amount of residential building during 1957 should help to stabilize the market.

Real Estate Sales Price Comparisons



Date	Trend in selling price	Probable selling price of a house that sold for $12,000 in 1947-49 period	Date	Trend in selling price	Probable selling price of a house that sold for $12,000 in 1947-49 period
1947-49	100.0	$12,000	Oct. '48	104.5	$12,540
1913	40.1	4,812	Oct. '53	119.7	14,360
1918	34.1	4,092	Oct. '54	122.3	14,680
Mar. '29	73.9	8,868	Jan. '55	122.9	14,750
May '32	34.8	4,176	May '55	123.5	14,820
Apr. '34	44.8	5,376	Oct. '55	125.1	15,010
July '37	40.1	4,812	Jan. '56	125.3	15,035
Apr. '38	42.8	5,136	May '56	123.5	14,820
Mar. '41	40.1	4,812	Oct. '56	121.9	14,630
			Dec. '56	121.4	14,570
			Jan. '57	121.4	14,570
			Feb. '57	121.4*	14,570*

*Preliminary.

INFLATION OR DEFLATION

The chart at the bottom of this page shows some of the factors of inflation as they have operated in our economy from 1919 to the present.

It is generally stated that if money and credit increase faster than the supply of goods, prices rise. On this chart are shown the production of nondurable goods, the money in use per capita, the velocity of turnover of checking accounts, and the consumer price index.

The velocity of turnover can have a rather important effect on prices. A checking account with a balance at the beginning and the end of 1 month of $1, 000, and with no checks drawn during the month, is relatively deflationary. However, an active checking account, with a balance at the beginning of the month of $1, 000, and with deposits and checkouts of $5, 000 during the month, would end the month with $1, 000, but would have a far greater effect on the effectual supply of money and credit, and would, therefore, have a more stimulating effect on prices. As money has tightened, bank balances have turned over more rapidly, and the increase in the velocity of turnover has been partially responsible for the continuing increase in the consumer price index.

We believe that the consumer price index will continue to rise, at least during the first 6 months of 1957. While we believe that inflation has been slowed, over the long period we will inflate much further.